

**REPORT OF THE AUDIT OF THE
LOGAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
LOGAN COUNTY FISCAL COURT

June 30, 2005

The Auditor of Public Accounts has completed the audit of the Logan County Fiscal Court for fiscal year ended June 30, 2005. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Financial Condition:

The fiscal court had total net assets of \$6,373,351 as of June 30, 2005. The fiscal court had unrestricted net assets of \$3,833,112 in its governmental activities as of June 30, 2005, with total net assets of \$6,344,722. In its enterprise fund, total net cash and cash equivalents were \$21,551 with total net assets of \$28,629. Total debt principal as of June 30, 2005, was \$4,599,655 with \$142,750 due within the next year.

Report Comment:

- The Fiscal Court Should Repay The Jail Commissary \$2,327 For Inmate Hygiene Products

Deposits:

As of June 30, 2005, the fiscal court's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable John H. Guion, III, Logan County Judge/Executive
Members of the Logan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Logan County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Logan County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
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Members of the Logan County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Logan County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2005 on our consideration of Logan County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of comments and recommendations, included herein, which discusses the following report comment:

- The Fiscal Court Should Repay The Jail Commissary \$2,327 For Inmate Hygiene Products

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 12, 2005

LOGAN COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

John H. Guion, III	County Judge/Executive
Harold Prince	Magistrate
Curtis Watkins	Magistrate
Dickie Carter	Magistrate
Ranny Adler	Magistrate
Jo Orange	Magistrate
Harris Dockins	Magistrate

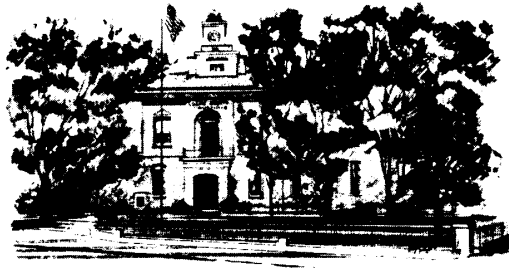
Other Elected Officials:

Thomas A. Noe, III	County Attorney
Bill Jenkins	Jailer
Kenny M. Chapman	County Clerk
Sherry Wilkins	Circuit Court Clerk
Wallace Whittaker	Sheriff
Ben Brown	Property Valuation Administrator
Jackie Dunlap	Coroner

Appointed Personnel:

Elaine Jenkins	County Treasurer
Karen Taylor	Finance Officer

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Management's Discussion and Analysis
June 30, 2005

The financial management of Logan County, Kentucky offers readers of Logan County's financial statements this narrative overview and analysis of the financial activities of Logan County for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights.

- Logan County had net assets of \$6,373,351 as of June 30, 2005. The fiscal court had unrestricted net assets of \$3,833,112 in the governmental funds as of June 30, 2005, with total net assets of \$6,344,722. In the enterprise fund, cash and cash equivalents were \$21,551 with total assets of \$28,629. Total debt for governmental funds principal as of June 30, 2005 was \$4,599,655 with \$142,750 due within one year.
- The governmental fund's total net assets increased by \$1,641,601 from the prior year. This increase is primarily due to increased tax collections and debt reduction.
- At the close of the current fiscal year, Logan County governmental funds reported current assets of \$3,833,112. Of this amount, \$3,061,884 is available for spending at the government's discretion (unreserved fund balance).
- Logan County's total indebtedness at the close of fiscal year June 30, 2005 was \$4,599,655, of which \$4,456,905 is long-term debt (due after 1 year) and \$142,750 is short-term debt (to be paid within 1 year). Debt reductions were \$137,553 for a net decrease of \$137,553 for the year.

Overview of the Financial Statements.

This management discussion and analysis is intended to serve as an introduction to Logan County's basic financial statements. Logan County's basic financial statements are comprised of three components: 1) government wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Logan County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Logan County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Logan County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Logan County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Logan County's governmental activities include general government, protection to persons and property, roads, recreation, social services, airport, debt service, capital projects, and administration. Logan County has one business type activity—Jail Canteen.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Logan County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Logan County can be divided into broad categories: *governmental funds and proprietary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Logan County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Governmental Funds (Continued)

Logan County maintains (11) eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road and Bridge Fund
- Jail Fund
- Occupational Tax/ Net Profits Tax Fund
- Hospital Special Reserve Fund
- Public Properties Corporation Fund

Non-major Funds:

- Local Government Economic Assistance Fund
- Community Development Block Grant Fund
- Solid Waste Recycling Fund
- Life Skills Revolving Loan Fund
- 911 Fund

Logan County adopts an annual appropriated budget for its major governmental funds except for the Public Properties Corporation Fund, which was not budgeted by the fiscal court. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Logan County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Table 1
Logan County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Assets						
Current and other assets	2,714,594	3,833,112	19,455	21,551	2,734,049	3,854,663
Capital assets	6,725,735	7,111,265	7,855	7,078	6,733,590	7,118,343
Total Assets	9,440,329	10,944,377	27,310	28,629	9,467,639	10,973,006
Liabilities						
Current and other liabilities	137,553	142,750	0	0	137,553	142,750
Long-term liabilities	4,599,655	4,456,905	0	0	4,599,655	4,456,905
Total Liabilities	4,737,208	4,599,655	0	0	4,737,208	4,599,655
Net Assets						
Invested in capital assets, net of related debt	1,988,527	2,511,610	7,855	7,078	1,996,382	2,518,688
Restricted	0	0	0	0	0	0
Unrestricted	2,714,594	3,833,112	19,455	21,551	2,734,049	3,854,663
Total Net Assets	4,703,121	6,344,722	27,310	28,629	4,730,431	6,373,351

Changes in Net Assets.

Governmental Activities. Logan County's net assets increased by \$1,641,601 in fiscal year 2005. Key elements of this are as follows:

- Current assets and cash increased \$1,118,518, due to increased Tax Revenue and Conservative Spending.
- Investment in capital assets and infrastructure, net of related debt increased \$523,083 primarily to Logan County's paying down existing debt while purchasing new capital assets without incurring corresponding new debt.
- Current and long-term liabilities decreased by \$137,553 due to payment of principal on existing debt.
- General revenues were \$4,585,277 and total revenues were \$8,459,609 as reflected in the Statement of Activities
- Expenditures totaled \$6,818,008 as reflected in the Statement of Activities.

Business-type Activities. Logan County's net assets increased by \$1,319 in fiscal year 2005.

Key elements are as follows:

- Current assets and cash increased by \$2,096.
- Investment in capital and infrastructure net of related debt increased by \$777.
- Total revenue was \$104,700 as reflected in the Statement of Activities.
- Expenditures totaled \$103,381 as reflected in the Statement of Activities.

Logan County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Financial Analysis of the County's Funds

Table 2
Logan County's Comparison
of General Revenue by Source and
Program Expenses by Function

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenue						
General Revenue	3,386,588	4,585,277	443	383	3,387,031	4,585,660
Transfer						
Charges for	601,045	661,705	112,466	104,317	713,511	766,022
Services						
Operating	1,735,809	1,880,463	0	0	1,735,809	1,880,463
Grants and						
Contributions						
Capital Grants	1,745,371	1,332,164	0	0	1,745,371	1,332,164
and						
Contributions						
Total Revenue	7,468,813	8,459,609	112,909	104,700	7,581,722	8,564,309
Expenses						
General	2,813,708	3,159,709	0	0	2,813,708	3,159,709
Government						
Protection to	1,831,662	1,976,870	0	0	1,831,662	1,976,870
Persons and						
Property						
General Health	214,320	184,303	0	0	214,320	184,303
and Sanitation						
Social Services	43,011	166,689	0	0	43,011	166,689
Recreation and	15,740	24,555	0	0	15,740	24,555
Culture						
Roads	751,815	866,862	0	0	751,815	866,862
Airports	17,166	13,000	0	0	17,166	13,000
Interest on Long	241,980	226,494	0	0	241,980	226,494
Term Debt						
Capital Projects	393,198	199,526	0	0	393,198	199,526
Jail Canteen	0	0	116,828	103,381	116,828	103,381
Total Expenses	6,322,600	6,818,008	116,828	103,381	6,439,428	6,921,389

As noted earlier, Logan County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Logan County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Financial Analysis of the County's Funds (Continued)

Governmental Funds Overview. The focus of Logan County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2005 fiscal year, the combined ending fund balances of County governmental funds were \$3,833,112. Approximately \$3,061,884 of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance \$330,698 is reserved to indicate that it is not available for new spending because it is committed for the various encumbrances and \$440,530 is reserved for debt service.

The County has (6) six major governmental, and (5) non-major funds.

Major Funds

- General Fund
- Road and Bridge Fund
- Jail Fund
- Occupational Tax/Net Profits Tax Fund
- Hospital Special Reserve Fund
- Public Properties Corporation Fund

Non-major Funds

- Local Government Economic Assistance Fund
- Community Development Block Grant Fund
- Solid Waste Recycling Fund
- Life Skills Revolving Loan Fund
- 911 Fund

1. The General Fund is the chief operating fund of Logan County. At the end of June 30, 2005 fiscal year, unreserved fund balance of the General Fund was \$439,647. The County received \$1,423,499 in real and personal property, motor vehicle, and other taxes for approximately 44% of the county's general revenues. In 2005, Logan County received \$ 1,565,034 in intergovernmental revenues, which accounted for approximately 48% of the general revenue. Various other service fees and miscellaneous revenues contribute to the remaining 8% of revenues.
2. The Road and Bridge Fund is the fund related to County road and bridge construction and maintenance. The Road and Bridge Fund had \$261,221 fund balance at June 30, 2005. The fiscal year 2005 expenditures for Road and Bridge Fund were \$1,627,117.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a balance at June 30, 2005 of \$61,070. The Jail Fund received \$553,915 in intergovernmental fees, primarily for housing prisoners. The General Fund contributed \$1,260,000 to the jail operations.
4. The Occupational Net Profits Tax Fund had a balance of \$1,087,535 as of June 30, 2005.
5. The Hospital Special Reserve Fund had a balance at June 30, 2005 of \$1,119,057.

**Logan County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Financial Analysis of the County's Funds (Continued).

Governmental Funds Overview (Continued).

6. The Local Government Economic Assistance Fund had a fund balance of \$3,972, an increase of \$834 over the previous fiscal year end.
7. The Community Development Block Grant Fund had a fund balance of \$99 as of June 30, 2005.
8. The Solid Waste Recycling Fund is used to account for the revenues and expenditures related to Logan County's Solid Waste, recycling and litter abatement activities. The Solid Waste Recycling Fund had a fund balance of \$165,577 as of June 30, 2005.
9. The Logan County Public Properties Corporation Fund had a fund balance of \$440,530 as of June 30, 2005.
10. The Life Skills Revolving Loan Fund had a fund balance of \$24,595 as of June 30, 2005.
11. The 911 Fund is used to account for 911 related fees as well as 911 related expenditures. The 911 fund had a fund balance of \$46,043 as of June 30, 2005.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Logan County has (1) one enterprise-type proprietary fund. It is the:

- Jail Canteen Fund

The Jail Canteen Fund's unrestricted net assets at the end of June 30, 2005 fiscal year, amounted to \$21,551 and total assets were \$28,629.

General Fund Budgetary Highlights.

Logan County's General Fund budget was amended during the fiscal year increasing the budgeted amount by \$563,739. However, budgetary transfers of \$558,096 were made to other funds.

Capital Assets and Debt Administration.

Capital Assets. Logan County's investment in capital assets for its government and business type activities as of June 30, 2005, amount to \$7,118,343 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions. Logan County has elected to report infrastructure assets per GASB 34 provisions.

Logan County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Additional information of the County's capital assets can be found in Note 3 of this report.

Table 3
Logan County's Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Infrastructure Assets	540,208	996,418	0	0	540,208	996,418
Land	364,584	364,584	0	0	364,584	364,584
Bldgs. & Improvements	4,874,500	4,729,252	0	0	4,874,500	4,729,252
Equipment	683,477	667,172	7,855	7,078	691,332	674,250
Vehicles	262,966	353,839	0	0	262,966	353,839
Total Net Capital Assets	6,725,735	7,111,265	7,855	7,078	6,733,590	7,118,343

Long-Term Debt. At the end of the 2005 fiscal year, Logan County had total bonded debt outstanding of \$4,550,000 from General Obligation Bonds. The County has (1) one financing obligation outstanding totaling \$49,655.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2006 fiscal year budget:

- The 2006 fiscal year adopted budget continues most services at current levels.
- Economic factors indicate continued growth for Logan County.
- The County received a \$1,000,000 EPA grant to purchase land and construct a retention basin. The resulting land will be used for green-space for parks and recreation.
- Continued increasing cost to operate the detention center will have a severe negative impact on all county programs.

Requests For Information

This financial report is designed to provide a general overview of Logan County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Logan County Judge/Executive, P.O. Box 365, Russellville, KY 42276.

LOGAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

LOGAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 3,833,112	\$ 21,551	\$ 3,854,663
Total Current Assets	<u>3,833,112</u>	<u>21,551</u>	<u>3,854,663</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	364,584		364,584
Buildings	4,729,252		4,729,252
Vehicles	353,839		353,839
Equipment	667,172	7,078	674,250
Infrastructure Assets - Net of Depreciation	<u>996,418</u>		<u>996,418</u>
Total Noncurrent Assets	<u>7,111,265</u>	<u>7,078</u>	<u>7,118,343</u>
Total Assets	<u>10,944,377</u>	<u>28,629</u>	<u>10,973,006</u>
LIABILITIES			
Current Liabilities:			
Bonds Payable	135,000		135,000
Financing Obligations Payable	<u>7,750</u>		<u>7,750</u>
Total Current Liabilities	<u>142,750</u>		<u>142,750</u>
Noncurrent Liabilities:			
Bonds Payable	4,415,000		4,415,000
Financing Obligations Payable	<u>41,905</u>		<u>41,905</u>
Total Noncurrent Liabilities	<u>4,456,905</u>		<u>4,456,905</u>
Total Liabilities	<u>4,599,655</u>		<u>4,599,655</u>
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	2,511,610	7,078	2,518,688
Unrestricted	<u>3,833,112</u>	<u>21,551</u>	<u>3,854,663</u>
Total net assets	<u>\$ 6,344,722</u>	<u>\$ 28,629</u>	<u>\$ 6,373,351</u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005

LOGAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,159,709	\$ 25,201	\$ 1,306,097	\$ 202,175
Protection to Persons and Property	1,976,870	484,210	367,950	
General Health and Sanitation	184,303	152,294		
Social Services	166,689			
Recreation and Culture	24,555		886	
Roads	866,862		205,530	1,129,989
Airports	13,000			
Interest on Long-term Debt and Financing Obligations	226,494			
Capital Projects	199,526			
Total Governmental Activities	<u>6,818,008</u>	<u>661,705</u>	<u>1,880,463</u>	<u>1,332,164</u>
Business-type Activities:				
Jail Canteen	103,381	104,317		
Total Business-type Activities	<u>103,381</u>	<u>104,317</u>		
Total Primary Government	<u>\$ 6,921,389</u>	<u>\$ 766,022</u>	<u>\$ 1,880,463</u>	<u>\$ 1,332,164</u>

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational/Net Profit Taxes
Other Taxes
In-Lieu of Tax
Miscellaneous Revenues
Telephone Commissions
Reimbursements
Interest Received
Gain on Disposal of Property

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,626,236)		\$ (1,626,236)
(1,124,710)		(1,124,710)
(32,009)		(32,009)
(166,689)		(166,689)
(23,669)		(23,669)
468,657		468,657
(13,000)		(13,000)
(226,494)		(226,494)
(199,526)		(199,526)
(2,943,676)		(2,943,676)
	936	936
	936	936
\$ (2,943,676)	\$ 936	\$ (2,942,740)
815,064		815,064
164,454		164,454
140,543		140,543
2,340,360		2,340,360
647,061		647,061
170,207		170,207
149,389		149,389
44,968		44,968
31,182		31,182
81,230	383	81,613
819		819
4,585,277	383	4,585,660
1,641,601	1,319	1,642,920
4,703,121	27,310	4,730,431
\$ 6,344,722	\$ 28,629	\$ 6,373,351

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

LOGAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

	General Fund	Road And Bridge Fund	Jail Fund	Occupational Tax/Net Profits Tax Fund	Hospital Special Reserve Fund
ASSETS					
Cash and Cash Equivalents	\$ 623,413	\$ 261,221	\$ 61,070	\$ 1,087,535	\$ 1,119,057
Total Assets	<u>\$ 623,413</u>	<u>\$ 261,221</u>	<u>\$ 61,070</u>	<u>\$ 1,087,535</u>	<u>\$ 1,119,057</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 183,766	\$ 59,886	\$ 69,002	\$ 2,887	\$
Unreserved:					
General Fund	439,647				
Special Revenue Funds		201,335	(7,932)	1,084,648	1,119,057
Reserved:					
Debt Service Fund					
Total Fund Balances	<u>\$ 623,413</u>	<u>\$ 261,221</u>	<u>\$ 61,070</u>	<u>\$ 1,087,535</u>	<u>\$ 1,119,057</u>

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2005
(Continued)

	Public Properties Corporation Fund	Non- Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 440,530	\$ 240,286	\$ 3,833,112
Total Assets	<u>\$ 440,530</u>	<u>\$ 240,286</u>	<u>\$ 3,833,112</u>
FUND BALANCES			
Reserved for:			
Encumbrances	\$	\$ 15,157	\$ 330,698
Unreserved:			
General Fund			439,647
Special Revenue Funds		225,129	2,622,237
Reserved:			
Debt Service Fund	440,530		440,530
Total Fund Balances	<u>\$ 440,530</u>	<u>\$ 240,286</u>	<u>\$ 3,833,112</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets

Total Fund Balances	\$ 3,833,112
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	10,539,097
Accumulated Depreciation	(3,427,832)
Long- term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Due Within One Year - Bonds and Financing Obligations Principal	(142,750)
Due In More Than One Year - Bonds and Financing Obligations Principal	<u>(4,456,905)</u>
Net Assets Of Governmental Activities	<u>\$ 6,344,722</u>

The accompanying notes are an integral part of the financial statements.

**LOGAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

LOGAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	General Fund	Road And Bridge Fund	Jail Fund	Occupational Tax/Net Profits Tax Fund
REVENUES				
Taxes	\$ 1,423,499	\$	\$	\$ 2,340,360
In Lieu Tax Payments	170,207			
Licenses and Permits	8,701			
Intergovernmental	1,565,034	1,335,518	553,915	
Charges for Services			48,796	
Miscellaneous	55,739	4,522	49,851	
Interest	21,163	12,113	1,134	11,764
Total Revenues	<u>3,244,343</u>	<u>1,352,153</u>	<u>653,696</u>	<u>2,352,124</u>
EXPENDITURES				
General Government	2,056,377	304		79,343
Protection to Persons and Property	238,417		1,317,578	
General Health and Sanitation	300			
Social Services	156,653			
Recreation and Culture				
Roads		1,413,539		
Airports				
Debt Service				
Capital Projects	4,750	8,700		
Administration	255,061	204,574	277,443	13,592
Total Expenditures	<u>2,711,558</u>	<u>1,627,117</u>	<u>1,595,021</u>	<u>92,935</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>532,785</u>	<u>(274,964)</u>	<u>(941,325)</u>	<u>2,259,189</u>
Other Financing Sources (Uses)				
Proceeds from Disposal of Capital Assets	3,605			
Transfers From Other Funds	362,000		1,260,000	300,000
Transfers To Other Funds	(558,096)		(335,162)	(1,799,000)
Total Other Financing Sources (Uses)	<u>(192,491)</u>		<u>924,838</u>	<u>(1,499,000)</u>
Net Change in Fund Balances	340,294	(274,964)	(16,487)	760,189
Fund Balances - Beginning	283,119	536,185	77,557	327,346
Fund Balances - Ending	<u>\$ 623,413</u>	<u>\$ 261,221</u>	<u>\$ 61,070</u>	<u>\$ 1,087,535</u>

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

	Hospital Special Reserve Fund	Public Properties Corporation Fund	Non- Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$	\$	\$ 343,454	\$ 4,107,313
In Lieu Tax Payments				170,207
Licenses and Permits			126,894	135,595
Intergovernmental			228,265	3,682,732
Charges for Services				48,796
Miscellaneous			122,804	232,916
Interest	19,895	11,749	3,413	81,231
Total Revenues	<u>19,895</u>	<u>11,749</u>	<u>824,830</u>	<u>8,458,790</u>
EXPENDITURES				
General Government			52,244	2,188,268
Protection to Persons and Property			372,101	1,928,096
General Health and Sanitation			151,171	151,471
Social Services			10,036	166,689
Recreation and Culture			24,555	24,555
Roads				1,413,539
Airports			13,000	13,000
Debt Service		354,945	9,102	364,047
Capital Projects			186,076	199,526
Administration			144,016	894,686
Total Expenditures	<u></u>	<u>354,945</u>	<u>962,301</u>	<u>7,343,877</u>
Excess (Deficiency) of Revenues Over				
Expenditures Before Other				
Financing Sources (Uses)	<u>19,895</u>	<u>(343,196)</u>	<u>(137,471)</u>	<u>1,114,913</u>
Other Financing Sources (Uses)				
Proceeds from Disposal of Capital Assets				3,605
Transfers From Other Funds	196,096	335,162	239,000	2,692,258
Transfers To Other Funds				(2,692,258)
Total Other Financing Sources (Uses)	<u>196,096</u>	<u>335,162</u>	<u>239,000</u>	<u>3,605</u>
Net Change in Fund Balances	215,991	(8,034)	101,529	1,118,518
Fund Balances - Beginning	903,066	448,564	138,757	2,714,594
Fund Balances - Ending	<u>\$ 1,119,057</u>	<u>\$ 440,530</u>	<u>\$ 240,286</u>	<u>\$ 3,833,112</u>

The accompanying notes are an integral part of the financial statements.

**LOGAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

LOGAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 1,118,518
Amounts Reported for Governmental Activities in the Statement of Activities	
Is Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Is Allocated over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Book Value - Disposed Assets	(24,786)
Capital Outlay	804,214
Depreciation Expense	(393,898)
The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provided Current Financial Resources to Governmental Funds, While the Repayment of Principal on Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, However, Have No Effect on Net Assets.	
Financing Obligations Principal Payment	7,553
Bond Principal Payments	130,000
	<hr/>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,641,601</u></u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

LOGAN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

	<u>Business-Type Activity</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 21,551
Total Current Assets	<u>21,551</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	8,632
Less Accumulated depreciation	<u>(1,554)</u>
Total Noncurrent Assets	<u>7,078</u>
Total Assets	<u>28,629</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	7,078
Unrestricted	<u>21,551</u>
Total Net Assets	<u><u>\$ 28,629</u></u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

LOGAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	<u>Business-Type Activity</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$ 104,317
Total Operating Revenues	<u>104,317</u>
Operating Expenses	
Cost of Sales	92,141
Educational and Recreational	9,372
Depreciation	777
Miscellaneous	1,091
Total Operating Expenses	<u>103,381</u>
Operating Income	<u>936</u>
Nonoperating Revenues (Expenses)	
Interest Income	383
Inmate Pay From State	3,720
Inmate Refunds	<u>(3,720)</u>
Total Nonoperating Revenues (Expenses)	<u>383</u>
Change In Net Assets	1,319
Total Net Assets - Beginning	<u>27,310</u>
Total Net Assets - Ending	<u><u>\$ 28,629</u></u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

LOGAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	<u>Business-Type Activity</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 104,317
Cost of Sales	(92,141)
Educational and Recreational	(9,372)
Miscellaneous	(1,091)
Net Cash Provided By	
Operating Activities	<u>1,713</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	3,720
Inmate Refunds on Accounts	(3,720)
Net Cash Provided By Noncapital Financing Activities	<u></u>
Cash Flows From Investing Activities	
Interest Earned	<u>383</u>
Net Cash Provided By	
Investing Activities	<u>383</u>
Net Increase in Cash and Cash Equivalents	2,096
Cash and Cash Equivalents - July 1, 2004	<u>19,455</u>
Cash and Cash Equivalents - June 30, 2005	<u><u>\$ 21,551</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ 936
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities -	
Depreciation Expense	<u>777</u>
Net Cash Provided By Operating Activities	<u><u>\$ 1,713</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Logan County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

Blended Component Units

Logan County Public Properties Corporation

The Logan County Fiscal Court appoints the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Properties Corporation is blended within Logan County's financial statements. All activities of the Public Properties Corporation are accounted for within a major (debt service) fund.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Kentucky law provides for election of the officials below from the geographic area constituting Logan County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

Additional Logan County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions and; 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

LOGAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2005
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Occupational Tax/Net Profits Tax Fund - The primary purpose for this fund is the collection of occupational tax and net profit tax.

Hospital Special Reserve Fund - The primary purpose of this fund is to act as a reserve fund. This is the County's primary savings account.

Public Properties Corporation Fund - The purpose of this fund is to account for bond proceeds, capital construction costs, and debt service payments.

The primary government also has the following nonmajor funds: Local Government Economic Assistance Fund, Community Development Block Grant Fund, Solid Waste/Recycling Fund, Life Skills Revolving Loan Fund, and the 911 Fund, which are presented as Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds:

The Road and Bridge Fund, Jail Fund, Occupational Tax/Net Profits Tax Fund, Hospital Special Reserve Fund, Local Government Economic Assistance Fund, Community Development Block Grant Fund, Solid Waste/Recycling Fund, Life Skills Revolving Loan Fund, and the 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Public Properties Corporation is presented as a debt service fund. The debt service fund is to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Fund

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	20-25
Buildings	\$ 15,000	10-60
Building Improvements	\$ 25,000	10-60
Machinery and Equipment	\$ 1,000	3-25
Vehicles	\$ 1,000	3-12
Infrastructure	\$ 20,000	20-40

F. Long-term Obligations

In the government-wide financial statements and proprietary fund in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities, however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

I. Related Organizations, Joint Ventures, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Logan County Fiscal Court: East Logan County Water District and North Logan County Water District. The fiscal court's accountability for these organizations, however, does not extend beyond making the appointments.

LOGAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2005
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Related Organizations, Joint Ventures, and Jointly Governed Organizations (Continued)

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Logan County Fiscal Court: Joint City-County Planning Commission and Board of Adjustment (Planning Commission). Logan County Fiscal Court is a participant with the cities of Adairville, Auburn, Lewisburg, and Russellville. The Planning Commission is governed by an eleven member board composed of five appointees from the Logan County Fiscal Court, three appointees from the City of Russellville and one appointee each from the cities of Adairville, Auburn, and Lewisburg. All participants are obligated to pay expenses not met by Federal and State funds on a pro rata basis.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that creates the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. The Logan County Fiscal Court (Fiscal Court), in conjunction with City of Russellville (City), has created the Russellville-Logan County Airport Board (Airport Board). The Airport Board is composed of three members each from the Fiscal Court and City. On September 23, 1997, the Fiscal Court and the City guaranteed repayment of loans in the amount of \$120,000 at an interest rate of 2% per annum. The loans are for a period of ten years for the purpose of constructing capital improvements.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government follows the requirements of KRS 41.240(4) and does not have a deposit policy for custodial credit risk. As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 364,584	\$	\$	\$ 364,584
Total Capital Assets Not Being Depreciated	364,584			364,584
Capital Assets, Being Depreciated:				
Buildings	6,586,392			6,586,392
Vehicles	880,651	200,166	(114,767)	966,050
Equipment	1,458,866	99,872		1,558,738
Infrastructure	559,157	504,176		1,063,333
Total Capital Assets Being Depreciated	9,485,066	804,214	(114,767)	10,174,513
Less Accumulated Depreciation For:				
Buildings	(1,711,892)	(145,248)		(1,857,140)
Vehicles	(617,685)	(84,507)	89,981	(612,211)
Equipment	(775,389)	(116,177)		(891,566)
Infrastructure	(18,949)	(47,966)		(66,915)
Total Accumulated Depreciation	(3,123,915)	(393,898)	89,981	(3,427,832)
Total Capital Assets, Being Depreciated, Net	6,361,151	410,316	(24,786)	6,746,681
Governmental Activities Capital Assets, Net	\$ 6,725,735	\$ 410,316	\$ (24,786)	\$ 7,111,265

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2005 was as follows: (Continued)

Primary Government: (Continued)	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Equipment	\$ 8,632	\$	\$	\$ 8,632
Total Capital Assets Being Depreciated	8,632			8,632
Less Accumulated Depreciation For:				
Vehicles and Equipment	(777)	(777)		(1,554)
Total Accumulated Depreciation	(777)	(777)		(1,554)
Total Capital Assets, Being Depreciated, Net	7,855	(777)		7,078
Business-Type Activities Capital Assets, Net	<u>\$ 7,855</u>	<u>\$ (777)</u>	<u>\$ 0</u>	<u>\$ 7,078</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 132,770
Protection to Persons and Property	116,254
General Health and Sanitation	32,832
Roads, Including Depreciation of General Infrastructure Assets	<u>112,042</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 393,898</u>
<u>Business-Type Activities</u>	
Jail Canteen	<u>777</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 777</u>

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Long-term Debt

A. Bonds

On September 1, 1998, Logan County Public Properties Corporation issued first mortgage bonds to provide funding for the construction of the Logan County Jail. The total bond issue was in the amount of \$5,140,000, with interest rates varying between 4.25% and 5.1%. Interest is payable on March 1 and September 1 of each year. At the date of sale, there was \$24,726 in accrued interest that was remitted to the Public Properties Corporation along with the bond proceeds. On October 7, 1998 funds were transferred from the Construction Fund Account to the Debt Reserve Account in the amount of \$368,988. Annually \$19,741 is transferred from the Debt Reserve Account to the Sinking Fund Account to pay a portion of the interest. The bond issue provides for early redemption, with 30 days notice, on or after September 1, 2008. Bonds outstanding as of June 30, 2005 were \$4,550,000.

Debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2006	\$ 219,314	\$ 135,000
2007	213,435	140,000
2008	207,162	150,000
2009	200,490	155,000
2010	193,368	165,000
2011-2015	841,920	950,000
2016-2020	575,462	1,235,000
2021-2025	215,475	1,620,000
Totals	<u>\$ 2,666,626</u>	<u>\$ 4,550,000</u>

B. Financing Obligation

On July 1, 2000, Logan County Fiscal Court entered into a loan agreement with the Kentucky Infrastructure Authority for \$175,917. The Fiscal Court received \$78,731 of the loan proceeds. The loan was for the purpose of establishing a comprehensive recycling program for Logan County, including the cities of Russellville, Auburn and Lewisburg. The interest rate was 2.60% for a period of ten (10) years, interest and principal paid semi-annually. Loan balance outstanding as of June 30, 2005 was \$49,655.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Long-term Debt (Continued)

B. Financing Obligation (Continued)

Debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2006	\$ 1,336	\$ 7,750
2007	1,118	7,954
2008	894	8,162
2009	664	8,375
2010	428	8,594
2011	186	8,820
Totals	<u>\$ 4,626</u>	<u>\$ 49,655</u>

Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 4,680,000	\$ 0	\$ 130,000	\$ 4,550,000	\$ 135,000
Financing Obligations	<u>57,208</u>		<u>7,553</u>	<u>49,655</u>	<u>7,750</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 4,737,208</u>	<u>\$ 0</u>	<u>\$ 137,553</u>	<u>\$ 4,599,655</u>	<u>\$ 142,750</u>

Note 5. Short-term Debt

In July 2004, Logan County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note for the General Fund in the amount of \$1,601,100, with principal being due in January 2005. The County used the borrowed funds in order to meet current General Fund expenses.

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Kentucky Advanced Revenue Program	\$ 0	\$ 1,601,100	\$ 1,601,100	\$ 0
Governmental Activities				
Short-term Liabilities	<u>\$ 0</u>	<u>\$ 1,601,100</u>	<u>\$ 1,601,100</u>	<u>\$ 0</u>

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 6. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

On June 13, 2000, the Logan County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2005, Logan County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2005

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,280,695	\$ 1,280,695	\$ 1,423,499	\$ 142,804
In Lieu Tax Payments	136,700	136,700	170,207	33,507
Licenses and Permits	5,515	5,515	8,701	3,186
Intergovernmental Revenue	1,600,271	2,128,314	1,565,034	(563,280)
Miscellaneous	21,600	57,296	55,739	(1,557)
Interest	20,000	20,000	21,163	1,163
Total Revenues	<u>3,064,781</u>	<u>3,628,520</u>	<u>3,244,343</u>	<u>(384,177)</u>
EXPENDITURES				
General Government	2,045,417	2,519,962	2,056,377	463,585
Protection to Persons and Property	98,731	242,896	238,417	4,479
General Health and Sanitation	300	300	300	
Recreation and Culture	391,276	389,926	156,653	233,273
Capital Projects	200,600	205,350	4,750	200,600
Administration	271,622	271,210	255,061	16,149
Total Expenditures	<u>3,007,946</u>	<u>3,629,644</u>	<u>2,711,558</u>	<u>918,086</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>56,835</u>	<u>(1,124)</u>	<u>532,785</u>	<u>533,909</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			362,000	(362,000)
Transfers To Other Funds	<u>(196,096)</u>	<u>(196,096)</u>	<u>(558,096)</u>	<u>362,000</u>
Total Other Financing Sources (Uses)	<u>(196,096)</u>	<u>(196,096)</u>	<u>(196,096)</u>	
Net Changes in Fund Balances	(139,261)	(197,220)	336,689	533,909
Fund Balances - Beginning	<u>139,261</u>	<u>139,261</u>	<u>283,119</u>	<u>143,858</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ (57,959)</u>	<u>\$ 619,808</u>	<u>\$ 677,767</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2005 (Continued)

	ROAD AND BRIDGE FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts,	Final Budget
			(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Intergovernmental Revenue	\$ 1,181,061	\$ 1,181,061	\$ 1,335,518	\$ 154,457
Miscellaneous	700	700	4,522	3,822
Interest	9,500	9,500	12,113	2,613
Total Revenues	<u>1,191,261</u>	<u>1,191,261</u>	<u>1,352,153</u>	<u>160,892</u>
EXPENDITURES				
General Government	500	500	304	196
Roads	1,652,090	1,652,990	1,413,539	239,451
Capital Projects	85,000	85,000	8,700	76,300
Administration	225,233	224,333	204,574	19,759
Total Expenditures	<u>1,962,823</u>	<u>1,962,823</u>	<u>1,627,117</u>	<u>335,706</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(771,562)</u>	<u>(771,562)</u>	<u>(274,964)</u>	<u>496,598</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>233,342</u>	<u>233,342</u>		<u>(233,342)</u>
Total Other Financing Sources (Uses)	<u>233,342</u>	<u>233,342</u>		<u>(233,342)</u>
Net Changes in Fund Balances	(538,220)	(538,220)	(274,964)	263,256
Fund Balances - Beginning	<u>538,220</u>	<u>538,220</u>	<u>536,185</u>	<u>(2,035)</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 261,221</u>	<u>\$ 261,221</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2005 (Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 496,103	\$ 496,103	\$ 553,915	\$ 57,812
Charges for Services	36,900	36,900	48,796	11,896
Miscellaneous	35,600	35,600	49,851	14,251
Interest	800	800	1,134	334
Total Revenues	<u>569,403</u>	<u>569,403</u>	<u>653,696</u>	<u>84,293</u>
EXPENDITURES				
Protection to Persons and Property	1,327,549	1,328,319	1,317,578	10,741
Debt Service	335,205	335,166		335,166
Administration	283,482	282,751	277,443	5,308
Total Expenditures	<u>1,946,236</u>	<u>1,946,236</u>	<u>1,595,021</u>	<u>351,215</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,376,833)</u>	<u>(1,376,833)</u>	<u>(941,325)</u>	<u>435,508</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(335,162)	(335,162)
Transfers From Other Funds	<u>1,340,612</u>	<u>1,340,612</u>	<u>1,260,000</u>	<u>(80,612)</u>
Total Other Financing Sources (Uses)	<u>1,340,612</u>	<u>1,340,612</u>	<u>924,838</u>	<u>(415,774)</u>
Net Changes in Fund Balances	(36,221)	(36,221)	(16,487)	19,734
Fund Balances - Beginning	<u>36,221</u>	<u>36,221</u>	<u>77,557</u>	<u>41,336</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 61,070</u>	<u>\$ 61,070</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2005 (Continued)

	OCCUPATIONAL TAX/ NET PROFITS TAX FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts,	Final Budget
			(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Taxes	\$ 1,825,000	\$ 1,825,000	\$ 2,340,360	\$ 515,360
Interest	500	500	11,764	11,264
Total Revenues	1,825,500	1,825,500	2,352,124	526,624
EXPENDITURES				
General Government	72,127	94,497	79,343	15,154
Administration	469,354	389,025	13,592	375,433
Total Expenditures	541,481	483,522	92,935	390,587
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	1,284,019	1,341,978	2,259,189	917,211
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			300,000	300,000
Transfers To Other Funds	(1,844,444)	(1,844,444)	(1,799,000)	45,444
Total Other Financing Sources (Uses)	(1,844,444)	(1,844,444)	(1,499,000)	345,444
Net Changes in Fund Balances	(560,425)	(502,466)	760,189	1,262,655
Fund Balances - Beginning	560,425	560,425	327,346	(233,079)
Fund Balances - Ending	\$ 0	\$ 57,959	\$ 1,087,535	\$ 1,029,576

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2005 (Continued)

HOSPITAL SPECIAL RESERVE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 11,200	\$ 11,200	\$ 19,895	\$ 8,695
Total Revenues	11,200	11,200	19,895	8,695
EXPENDITURES				
Administration	1,110,288	1,110,288		1,110,288
Total Expenditures	1,110,288	1,110,288		1,110,288
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(1,099,088)	(1,099,088)	19,895	1,118,983
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	196,096	196,096	196,096	
Total Other Financing Sources (Uses)	196,096	196,096	196,096	
Net Changes in Fund Balances	(902,992)	(902,992)	215,991	1,118,983
Fund Balances - Beginning	902,992	902,992	903,066	74
Fund Balances - Ending	\$ 0	\$ 0	\$ 1,119,057	\$ 1,119,057

LOGAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The General Fund Budgetary Comparison Schedule differs from the Statement of Revenues, Expenditures, And Changes In Fund Balances – Governmental Fund for the following:

Ending Fund Balance - Budgetary Basis	\$ 619,808
Proceeds From Sale of Capital Assets	<u>3,605</u>
Ending Fund Balance - Modified Cash Basis	<u><u>\$ 623,413</u></u>

LOGAN COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

LOGAN COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

	Local Government Economic Assistance Fund	Community Development Block Grant Fund	Solid Waste Recycling Fund	Life Skills Revolving Loan Fund	911 Fund	Total Non-Major Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 3,972	\$ 99	\$ 165,577	\$ 24,595	\$ 46,043	\$ 240,286
Total Assets	<u>\$ 3,972</u>	<u>\$ 99</u>	<u>\$ 165,577</u>	<u>\$ 24,595</u>	<u>\$ 46,043</u>	<u>\$ 240,286</u>
FUND BALANCES						
Reserved for:						
Encumbrances	\$ 1,848	\$	\$ 5,236	\$	\$ 8,073	\$ 15,157
Unreserved:						
Special Revenue Funds	2,124	99	160,341	24,595	37,970	225,129
Total Fund Balances	<u>\$ 3,972</u>	<u>\$ 99</u>	<u>\$ 165,577</u>	<u>\$ 24,595</u>	<u>\$ 46,043</u>	<u>\$ 240,286</u>

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LOGAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005

LOGAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

	Local Government Economic Assistance Fund	Community Development Block Grant Fund	Solid Waste Recycling Fund
REVENUES			
Taxes	\$	\$	\$
License and Permits			126,894
Intergovernmental	44,034	136,175	46,257
Miscellaneous		50,000	46,392
Interest	335		2,061
Total Revenues	<u>44,369</u>	<u>186,175</u>	<u>221,604</u>
EXPENDITURES			
General Government	52,244		
Protection to Persons and Property			
General Health and Sanitation	52,852		98,319
Social Services	10,036		
Recreation and Culture	24,555		
Airports	13,000		
Debt Service			9,102
Capital Projects		186,076	
Administration	10,848		27,092
Total Expenditures	<u>163,535</u>	<u>186,076</u>	<u>134,513</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(119,166)</u>	<u>99</u>	<u>87,091</u>
Other Financing Sources (Uses)			
Transfers From Other Funds	120,000		
Total Other Financing Sources (Uses)	<u>120,000</u>		
Net Change in Fund Balances	834	99	87,091
Fund Balances - Beginning	3,138		78,486
Fund Balances - Ending	<u>\$ 3,972</u>	<u>\$ 99</u>	<u>\$ 165,577</u>

LOGAN COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

Other Supplementary Information

For The Year Ended June 30, 2005

(Continued)

Life Skills Revolving Loan Fund	911 Fund	Total Non-Major Governmental Funds
\$	\$ 343,454	\$ 343,454
		126,894
	1,799	228,265
9,600	16,812	122,804
427	590	3,413
<u>10,027</u>	<u>362,655</u>	<u>824,830</u>
		52,244
	372,101	372,101
		151,171
		10,036
		24,555
		13,000
		9,102
		186,076
	106,076	144,016
	<u>478,177</u>	<u>962,301</u>
<u>10,027</u>	<u>(115,522)</u>	<u>(137,471)</u>
	119,000	239,000
	<u>119,000</u>	<u>239,000</u>
10,027	3,478	101,529
14,568	42,565	138,757
<u>\$ 24,595</u>	<u>\$ 46,043</u>	<u>\$ 240,286</u>

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**LOGAN COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2005

**LOGAN COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2005

STATE LAWS AND REGULATIONS

The Fiscal Court Should Repay The Jail Commissary \$2,327 For Inmate Hygiene Products

During discussion with the Jailer, auditor was notified that female hygiene items and other hygiene products were not to be purchased from the Jail Fund per order of the fiscal court. Inmate hygiene products must be provided by the Jail Fund. 501 KAR 3:080 (10) states "All inmates assigned to inmate living areas shall be issued or permitted to obtain the following hygienic items:

- (a) Soap.
- (b) Toothbrush.
- (c) Toothpaste.
- (d) Toilet paper.
- (e) Female sanitary supplies (where applicable).

Indigent inmates shall be furnished these items by the jail."

The Jail fund is reimbursed these costs through inmate reimbursements. The Jail Fund in FY 02-03 spent \$2,769 for inmate hygiene. In FY 04-05 the Jail Fund spent \$0 on inmate hygiene. After reviewing jail commissary invoices auditor determined that \$2,327 is approximately what the Jail Commissary spent in FY 04-05 for inmate hygiene products. We recommend the Jail Fund repay the Jail Commissary \$2,327 for inmate hygiene products and for the Jail Fund to provide inmate hygiene products in the future.

County Judge/Executive John Guion's Response:

The Logan County Treasurer will repay the Jail Commissary the recommended amount of \$2,327 from the Jail Fund.

PRIOR YEAR

The Fiscal Court Should Repay The Jail Commissary \$188 For Inmate Medical Treatment

This comment was corrected in the current year.

The Fiscal Court Should Repay The Jail Commissary \$1,990 For Inmate Hygiene Products

This comment was repeated in the current year.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John H. Guion, III, Logan County Judge/Executive
Members of the Logan County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 12, 2005. Logan County presents its financial statements on the modified cash basis of accounting that is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Logan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Logan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the Comments and Recommendations.

- The Fiscal Court Should Repay The Jail Commissary \$2,327 For Inmate Hygiene Products



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office of Local Development and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 12, 2005

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

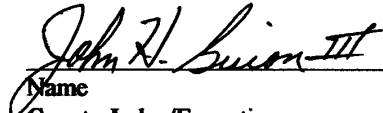
LOGAN COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2005

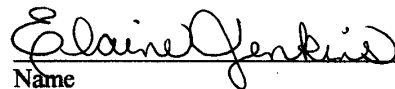
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
LOGAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2005

The Logan County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer